

Tax Deductions for Uber/Lyft Drivers

Use this form as an educational tool that will outline what expenses related to your business can be classified as tax-deductible in order to significantly lower your taxes.

As a driver for Uber/Lyft you are not an employee under either company, instead you are an independent contractor and considered to be self-employed in regard to filing your taxes. Therefore, when you receive a payment from Uber/Lyft it is likely that no taxes have been taken out. It is important for you to set aside money in order to pay for your anticipated federal and state income taxes as well as Medicare and Social Security.

As a self-employed worker, you can take tax deductions for your driving expenses although; you will need to record these deductions yourself very carefully in order to protect yourself in the case that the IRS decides to audit your taxes.

Below is a list of the most important tax deductions for Uber/Lyft drivers and how to go about recording them accurately and efficiently.

1. Vehicle Expenses (Standard Mileage)

Vehicle expenses are costs associated with using your car as a part of your business. In order to claim the deduction, record the expense on Schedule C of your taxes under Total Car and Truck Expenses.

Record the number of business miles that you have driven for the year by keeping a mileage log. A mileage log can be kept either as a written log, on pen and paper, or by using one of several mileage tracking applications that can be downloaded onto your smartphone (e.g. MileIQ, QuickBooks Self-Employed). If you use your car for both ride-sharing as well as personal transportation, you are only able to deduct the expenses that are generated from the business use.

Miles are deductible if they are considered passenger miles, meaning you are driving with a passenger in the car or you are driving to pick up a new passenger (between trips). Additionally, any miles that are driven to benefit your driving business (if you drove to the store to purchase car supplies) are deductible. It is important to record your odometer at the start and end of the year in order to calculate your total miles driven, which will be utilized to record the percentage of driving that is for business.

Miles are not deductible if you are driving for any personal reasons. Also, your first and last drives of the day, commuting “to and from work”, are not deductible.

As of 2019, the standard IRS mileage deduction is 58 cents per mile driven.

Additional vehicle expenses such as gas expenses, oil changes, car washes, insurance payments, AAA payments, DMV expenses as well as any other repairs/maintenance to the vehicle should also be recorded.

2. Operating Expenses

Operating expenses are any expenses that can be associated with running your ride-share business. To claim on your deduction, record the expense on Schedule C of your taxes under Common Operating Expenses.

For example, any giveaways that you provide to your ride-share passengers such as water bottles, gum, snacks, maps etc. can be recorded and provided as an operating expense. This can be done either by using an expense tracking spreadsheet through an application or a printable spreadsheet that is recorded by hand, as long as you remain consistent. Additionally, you must maintain receipts for a minimum of 3 years.

In addition, the portion of your smartphone use that is used for conducting your ride-share business can be recorded as an operating expense. If you use your phone for both ride-share as well as personal use, only the phone usage that can be attributable to your ride-share work can be deducted. It is often recommended, for simplicity sake, to have a cell phone that is dedicated to your ride-share work and one that is for personal use.

Cell phone accessories if used for both personal and business are partially deductible. However, if you purchase an accessory, such as a charger for your passengers with multiple ports, that item is entirely deductible.

Any fees from Uber/Lyft should also be recorded and then deducted on your tax return. These are typically recorded at the end of the year under your online driver reports with the company for whom you drive.

Understanding your 1099 Forms

As a driver for a ride-share company, you will not receive a W-2 form from your ride-share operator. Instead, Uber/Lyft will issue a 1099-K for all transactions as gross receipts. The amount that is shown within Box 1a is equivalent to the amount of money that your ride-share operator collected from all the transactions linked to the customers that you provided rides. This amount is likely more than the payment you received because it includes the ride-share company's commissions and other expenses. Your ride-share operator will provide you with a tax summary that will allow you to translate the information within the 1099-K and report it within Schedule C.